



CITY COUNCIL WORK SESSION

448 E. 1st Street, Room 190 Salida, Colorado 81201

Monday, November 16, 2020 - 6:00 PM

AGENDA

Please register for the City Council Work Session

<https://attendee.gotowebinar.com/register/3339757082352927504>

After registering, you will receive a confirmation email containing information about joining the webinar.

DISCUSSION ITEMS

1. - Water Rate Increase over 5 years
- Wastewater Rate Increase over 5 and 10 Years



CITY COUNCIL WORK SESSION

MEETING DATE: November 16, 2020

AGENDA ITEM: Water & Wastewater Rate Increase Consideration

FROM: Aimee Tihonovich, Finance Director

Ehlers presented the findings of their Water and Wastewater rate studies to Council at the November 2 work session.

The study shows that rates are not fully supporting plant operations and increases for both the water and wastewater rates are recommended. The study shows that in order for revenues to fully support the operations of the plant, the typical residential consumer at average consumption needs to pay \$1.57 (5.5%) more per month for water, and \$17.37 (69.3%) more for Wastewater services.

It is not necessary to implement the full rate increase immediately and in fact, if done over time, growth in the community will help offset some of the impact for the rate increase. In order for the increase to more closely align with the rate increase made January 1 of the current year, the water increase can be incrementally increased over 5 years and the Wastewater over 10 years. However, the further out the increase is spread, the “fuzzier” the projections and the risk for revenues staying out of sync with operational needs increases.

Ehlers ran several implementation examples to give an idea of what the rate impacts would be on “average” users, the following chart summarizes average monthly bill increases under different scenarios:

Water and Wastewater rate increase options			
2021 Potential Estimated Monthly Impacts on Average User			
	Fully Implement	5 year incremental	10 year incremental
<u>Water</u>	5.5%	2.58%	
Residential	\$ 1.57	\$ 0.74	not calculated
Commercial	\$ 9.04	\$ 2.04	"
Residential with ADU	\$ 2.49	\$ 0.81	"
Multi-Family	\$ 2.08	\$ 0.87	"
<u>Wastewater</u>	69.3%	8.85%	4.95%
Residential	\$ 17.37	\$ 2.22	\$ 1.24
Commercial	\$ 43.28	\$ 2.98	\$ 1.66
Residential with ADU	\$ 46.49	\$ 3.91	\$ 2.18
Sewer only	\$ 46.00	\$ 3.03	\$ 1.69

Actual impact depends on usage, these averages are chosen using the highest number of users in each class for meter size and utilizes average flow rates.

Ehlers also compared our rates to other communities and performed an affordability analysis. Rates for the City of Salida will continue to compare reasonably with other communities upon full implementation of the rate increase.

In order to leverage future growth against the overall increase necessary, and not risk spreading the rate out beyond our ability to predict cost increases, staff recommends a 5 year incremental increase for both Utilities effective January 1, 2020. This would result in a rate increase of 2.58% for water and 8.85% for Wastewater (an impact to the average residential bill of \$.74 for water and \$2.22 for Wastewater per month). The rate increase implemented for 2020 was 3% for water and 4.5% for Wastewater.

Going forward, similar rate increases can be anticipated every year and perhaps may need to be adjusted further for inflation. Setting proper rates is a complex process and rate studies should be repeated periodically (at least every 5 years) or any time there is a significant change to the system make up (i.e. large customer added or subtracts, large treatment overhaul).